

New-job proposal asks no taxpayer subsidy

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Credit unions have a proposal that would put \$10 billion into small businesses to help them grow and create 108,000 jobs, according to top California lobbyist Bob Arnould.

And it wouldn't require a bailout or stimulus subsidy, he said. It wouldn't require any taxpayer money.

Currently, credit unions cannot lend more than 12.5% of their assets to businesses. They want the limit increased to 25%.

Banks strongly oppose raising the cap.

The 28 credit unions headquartered in Orange County have made \$89 million in business loans. Collectively they are at 79.2% of the cap with some of them at or above the cap, according to the California Credit Union League. They estimate that lifting the cap could create 2,118 jobs in Orange County.

"For us, it limits our ability to lend to our business customers," said Jeff Harper, vice president of lending at Orange County's Credit Union. He projects OCCU will hit its business lending limit by the end of this year.

If the lending cap were raised, in the first year, \$2 billion in loans would be made in California creating 24,000 jobs and \$10 billion would be loaned nationwide creating 108,000 jobs, Arnould claimed.

Orange County Rep. Ed Royce, R-Fullerton, is co-author with Paul Kanjorski, D-Penn., of one of the bills (HR3380) to raise the cap. A similar bill (S2919) has been introduced in the Senate.

Credit union officials from Orange County and California will join 4,000 colleagues in Washington D.C. this week to lobby Congress for the change.

But banks aren't stepping up to help small businesses, Arnould said, pointing out the FDIC records show that in 2009 banks reduced business lending 15% through the third quarter, while credit unions expanded business lending 11%.

"Credit unions have done business loans since their inception in the early 1900s," Arnould said. "They were unrestricted until 1998. There shouldn't be a limit. None of our other lending products have a limit. Banks don't have a limit."

Credit unions have been trying for five years to remove or raise the cap and figure their chances have improved because of high unemployment and continued tight credit for small and mid-sized companies.

The average business loan by a credit union is \$210,000, meaning that most of the borrowers are small businesses.

Arnould pointed out that credit unions have a better record lending to businesses. In 2009, they charged off 0.44% of loans while banks charged off 2.28%.